

Message Text

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PASS COMMERCE

E.O. 11652: N/A

TAGS: BEXP HK

SUBJ: HONG KONG COTTON SPINNERS SEEKING MORE POLYESTER--

PROPOSED BUYING/INVESTMENT MISSION TO U.S.

SUMMARY: HONG KONG COTTON SPINNERS ASSOCIATION IS DISSATISFIED WITH BOTH PRICE AND SUPPLY SITUATION OF JAPANESE POLYESTER. IN THE SHORT RUN THEY WISH TO PERSUADE U.S. SUPPLIERS TO EXPORT MORE TO HONG KONG AT LOWER PRICES. IN THE LONGER RUN THEY WISH SECURE SUPPLY BY BUILDING A JOINT-VENTURE POLYESTER PLANT HERE. IF THERE IS SUFFICIENT INTEREST ON THE PART OF ANY U.S. FIRMS IN MEETING EITHER OF THESE CONCERNS, SPINNERS WILL SEND A DELEGATION TO U.S. FOR DISCUSSIONS. ACTION REQUESTED: COMMERCE IS REQUESTED TO GET IN TOUCH WITH LEADING PRODUCERS TO DETERMINE INTEREST IN EITHER OR BOTH OF COTTON SPINNERS' PROPOSALS AND ADVISE US IF SUCH A MISSION WOULD BE WORTHWHILE. END SUMMARY

1. MMF MARKET IN HONG KONG HAS BEEN DOMINATED BY JAPANESE WHO, UNTIL 1973, WERE ABLE TO UNDERPRICE THEIR COMPETITION AND WHO HAVE ESTABLISHED A NUMBER OF LOCAL JOINT VENTURES SPECIFICALLY TO SERVE AS CAPTIVE OUTLETS. THEN THE OIL CRISIS SEVERELY AFFECTED THE JAPANESE SUPPLY SITUATION. THE ONLY U.S. COMPETITION IN POLYESTER HAS COME FROM CELENESE WHICH HAS BEEN ABLE TO QUOTE LOWER CIF PRICES THEN THE JAPANESE SINCE THE THIRD QUARTER OF 1973. LAST YEAR CELENESE SOLD 9 MILLION POUNDS OF POLYESTER STAPLE

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TO THE HONG KONG MARKET, OR ABOUT 30 PERCENT OF TOTAL

IMPORTS. THE CURRENT CELANESE PRICE IS 90 CENTS A POUND CIF VS THE JAPANESE PRICE OF 94 CENTS AND CELANESE'S DOMESTIC PRICE OF 52 CENTS FOB.

2. JACK TANG, PRESIDENT, SOUTH SEA TEXTILES, INFORMED US JUNE 1 THAT THE SPINNERS ASSOCIATION HAS BEEN TRYING TO PERSUADE CELANESE TO LOWER ITS PRICE AND INCREASE ITS SALES VOLUME BUT HAS MET WITH NO SUCCESS. SPINNERS FEEL THAT CELANESE IS MERELY FOLLOWING JAPANESE PRICE LEADERSHIP. WE BELIEVE SPINNERS' SEARCH FOR CHEAPER RAW MATERIAL HAS BEEN SPURRED BY RECENT FALL IN WORLD PRICES FOR FINISHED YARNS AND BY TAIWAN'S YARN SALES WHICH SOME HERE DESCRIBE AS "DUMPING."

3. LOCAL CELANESE REPRESENTATIVES TELL US THAT THEY HAVE URGED HEADQUARTERS TO LOWER EXPORT PRICE AND THAT THIS MATTER IS CURRENTLY UNDER REVIEW AND SHOULD BE DECIDED WITHIN NEXT WEEK. NEVERTHELESS, THEY MAINTAIN THAT SALES VOLUME WILL NOT INCREASE BECAUSE SUPPLIES FAIRLY TIGHT AND THEY WILL MEET DOMESTIC COMMITMENTS FIRST IN AN EFFORT TO HEAD OFF U.S. INDUSTRY PRESSURES FOR EXPORT CONTROLS.

4. SPINNERS ARE GOING TO JAPAN ON JUNE 26 FOR DISCUSSIONS WITH JAPANESE SUPPLIERS AND WILL ASK FOR A JAPANESE PRICE OF 60 CENTS CIF FOR POLYESTER. THERE IS SOME QUESTION OF JAPAN'S WILLINGNESS TO ACCEDE IF ONLY BECAUSE THEY HAVE AGREED TO SELL 88 MILLION POUNDS TO THE PRC AT 81 CENTS FOB AND A REDUCTION OF THE HONG KONG PRICE WOULD PROBABLY ENTAIL A SIZEABLE REBATE TO THE PRC. IF THIS MISSION IS SUCCESSFUL, HOWEVER, INTEREST IN A FURTHER MISSION TO THE U.S. WILL PROBABLY COOL.

5. IN THE MEANTIME, HONG KONG IS STILL TRYING TO ATTRACT JOINT VENTURE PRODUCTION OF POLYESTER AND POLYAMIDE (SEE HK 1116 AND T-12829). THE HKG IS PREPARED TO MAKE LAND AVAILABLE AT A FAVORABLE RATE FOR SUCH AN UNDERTAKING AS IT DID IN THE CASE OF THE DOW PETROCHEMICAL PLANT. WINDSOR TEXTILES IS CURRENTLY DISCUSSING A POLYESTER PLANT WITH THE U.S. FIRM CHEMTEX. LOCAL REPORTS VARY AS TO THE STATE OF NEGOTIATIONS AND FEASIBILITY. DUPONT HAS DISCUSSED A LIMITED OFFICIAL USE

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POLYAMIDE PLANT WITH WORLDWIDE FIBERS, BUT IN SUCH A DESULTORY FASHION THAT WE DOUBT THEIR EARNESTNESS AND BELIEVE OTHER U.S. FIRMS SHOULD BE ALERTED TO HONG KONG'S INTEREST.

6. REQUEST COMMERCE'S ASSESSMENT OF U.S. SUPPLY SITUATION AND WHETHER U.S. FIRMS HAVE FIBER FOR EXPORT AND ARE INTERESTED IN HONG KONG'S POLYESTER MARKET WHICH AT PRESENT

IS EXCLUSIVE PRESERVE OF JAPAN AND CHELANESES. ALSO REQUEST
ASSESSMENT OF INTEREST IN JOINT VENTURE PRODUCTION OF
POLYESTER AND POLYAMIDE AND WHETHER COTTON SPINNERS
SHOULD SEND DELEGATION AND TO AHICH FIRMS.
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